

USDA-RUS

This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER NAME

Dubois Telephone Exchange, Inc

(Prepared with Audited Data)

INSTRUCTIONS-Submit report to RUS within 30 days after close of the period.
For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.

PERIOD ENDING
December, 2013

BORROWER DESIGNATION
WY0515

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII

(Check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

DATE

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	1,371,270	2,329,150	25. Accounts Payable	293,671	161,796
2. Cash-RUS Construction Fund		547,196	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	114,864	114,983
a. Telecom, Accounts Receivable	134,471	189,060	28. Customer Deposits	3,728	2,800
b. Other Accounts Receivable	212,058	386,846	29. Current Mat. L/T Debt	106,930	263,823
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	198,740	181,480	32. Income Taxes Accrued		
Other Accounts Receivable	166,050	285,108	33. Other Taxes Accrued	35,899	29,967
c. Notes Receivable			34. Other Current Liabilities	109,165	119,347
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	664,257	692,716
6. Material-Regulated	423,833	151,925	LONG-TERM DEBT		
7. Material-Nonregulated	13,379	11,277	36. Funded Debt-RUS Notes	45,262	
8. Prepayments	118,130	114,377	37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes	1,703,919	3,717,972
10. Total Current Assets (1 Thru 9)	2,637,931	4,196,419	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	403,535	176,000	46. Total Long-Term Debt (36 thru 45)	1,749,181	3,717,972
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities	3,193,878	3,145,580
15. Deferred Charges	320,591	320,591	48. Other Deferred Credits		
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	724,126	496,591	50. Total Other Liabilities and Deferred Credits (47 thru 49)	3,193,878	3,145,580
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	25,845,690	28,989,553	51. Cap. Stock Outstand. & Subscribed	20,613	20,613
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	455,973	187,292	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	15,681,647	16,856,034	55. Other Capital	(938,846)	(458,228)
23. Net Plant (18 thru 21 less 22)	10,620,016	12,320,811	56. Patronage Capital Credits		
TAL ASSETS (10+17+23)			57. Retained Earnings or Margins	9,292,990	9,895,168
			58. Total Equity (51 thru 57)	8,374,757	9,457,553
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	13,982,073	17,013,821
	13,982,073	17,013,821			

Total Equity = 55.59% % of Total Assets

USDA-RUS

BORROWER DESIGNATION

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

WY0515

PERIOD ENDING

December, 2013

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	929,590	933,177
2. Network Access Services Revenues	3,895,903	4,148,426
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	31,039	26,943
5. Miscellaneous Revenues	120,312	160,321
6. Uncollectible Revenues	1,010	1,244
7. Net Operating Revenues (1 thru 5 less 6)	4,975,834	5,267,623
8. Plant Specific Operations Expense	1,541,621	1,620,596
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	297,209	246,859
10. Depreciation Expense	1,184,658	1,248,476
11. Amortization Expense		
12. Customer Operations Expense	190,307	217,902
13. Corporate Operations Expense	1,021,872	1,083,166
14. Total Operating Expenses (8 thru 13)	4,235,667	4,416,999
15. Operating Income or Margins (7 less 14)	740,167	850,624
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes	116,320	(177,405)
19. Other Taxes	194,144	581,964
20. Total Operating Taxes (17+18+19)	310,464	404,559
21. Net Operating Income or Margins (15+16-20)	429,703	446,065
22. Interest on Funded Debt	21,817	54,895
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction	7,792	18,366
26. Total Fixed Charges (22+23+24-25)	14,025	36,529
27. Nonoperating Net Income	(13,425)	305,066
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	101,666	87,575
31. Total Net Income or Margins (21+27+28+29+30-26)	503,919	802,177
32. Total Taxes Based on Income	251,188	341,933
33. Retained Earnings or Margins Beginning-of-Year	8,989,071	9,292,991
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)	200,000	200,000
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	9,292,990	9,895,168
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	126,437	211,833
45. Cash Ratio [(14+20-10-11) / 7]	0.6756	0.6783
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9165	0.9223
47. TIER [(31+26) / 26]	36.9301	22.9600
48. DSCR [(31+26+10+11) / 44]	13.4660	9.8530

USDA-RUS		BORROWER DESIGNATION WY0515	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		PERIOD ENDED December, 2013	
		INSTRUCTIONS – See help in the online application.	
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		1,371,270	
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income		802,177	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
3. Add: Depreciation		1,248,476	
4. Add: Amortization		0	
5. Other (Explain) other taxes accrued		(5,932)	
Changes in Operating Assets and Liabilities			
6. Decrease/(Increase) in Accounts Receivable		(331,175)	
7. Decrease/(Increase) in Materials and Inventory		274,010	
8. Decrease/(Increase) in Prepayments and Deferred Charges		3,753	
9. Decrease/(Increase) in Other Current Assets		0	
10. Increase/(Decrease) in Accounts Payable		(131,875)	
11. Increase/(Decrease) in Advance Billings & Payments		119	
12. Increase/(Decrease) in Other Current Liabilities		4,250	
13. Net Cash Provided/(Used) by Operations		1,863,803	
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable		0	
15. Increase/(Decrease) in Notes Payable		0	
16. Increase/(Decrease) in Customer Deposits		(928)	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		2,125,684	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		(48,298)	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		480,618	
20. Less: Payment of Dividends		(200,000)	
21. Less: Patronage Capital Credits Retired		0	
22. Other (Explain)			
23. Net Cash Provided/(Used) by Financing Activities		2,357,076	
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)		(2,875,182)	
25. Other Long-Term Investments		227,535	
26. Other Noncurrent Assets & Jurisdictional Differences		0	
27. Other (Explain) prop,plant, equip+afudc less line 24		(68,156)	
28. Net Cash Provided/(Used) by Investing Activities		(2,715,803)	
29. Net Increase/(Decrease) in Cash		1,505,076	
30. Ending Cash		2,876,346	

Revision Date 2010

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Directors
Dubois Telephone Exchange, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dubois Telephone Exchange, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of income, comprehensive income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Dubois Telephone Exchange, Inc.'s basic financial statements and have issued our report thereon dated March 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Dubois Telephone Exchange, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Dubois Telephone Exchange, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS* (continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dubois Telephone Exchange, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Spokane, Washington
March 19, 2014

INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR TELECOMMUNICATIONS BORROWERS

Board of Directors
 Dubois Telephone Exchange, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dubois Telephone Exchange, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of income, comprehensive income, stockholder's equity, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2014. In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014, on our consideration of Dubois Telephone Exchange, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. No reports other than the reports referred to above and our exit memo related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Dubois Telephone Exchange, Inc. failed to comply with the terms, covenants, provisions, or conditions on its loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Dubois Telephone Exchange, Inc.'s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Dubois Telephone Exchange, Inc.'s accounting and records to indicate that Dubois Telephone Exchange, Inc. did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH ASPECTS OF
CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR
TELECOMMUNICATIONS BORROWERS
(continued)**

- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval for the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract, agreement, or lease with an affiliate;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in accounting principles generally accepted in the United States of America;
- Comply with the requirements for the detailed schedule of investments.

This report is intended solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and regulatory requirements to telecommunications borrowers based on the requirements of 7 CFR Part 1773, as clarified in the RUS policy memorandum dated February 7, 2014. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Spokane, Washington
March 19, 2014